

Message Text

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SUBJECT: 1980 TRADE AND ECONOMIC PROJECTIONS

REF: STATE A-1182 AND STATE 116763

1. THE STATISTICS CITED IN THE ENCLOSURE TO A-1182 PRESUMABLY RELATE THE JOINT BLEU (BELGIAN-LUXEMBOURG ECONOMIC UNION) ACCOUNTS. THE 1974 TOTAL IMPORTS FIGURE FOR LUXEMBOURG IS APPROXIMATELY \$1.7 BILLION.

2. THE 1974/75 ECONOMIC RECESSION REACHED LUXEMBOURG BELATEDLY BUT STRUCK ITS ECONOMY MORE SEVERELY THAN OTHER EC COUNTRIES WITH A DROP IN GNP OF 7.7 PERCENT. IMPORTS, HOWEVER, DIPPED ONLY marginally. THE OFFICIAL GOL PROJECTION FOR 1976 GROWTH IN GNP IS 3 PERCENT (OVER THE DEPRESSED MINUS 7.7 PERCENT OF 1975) WHICH IS BELOW THE EXPECTED EC AVERAGE. IMPORTS ARE EXPECTED TO INCREASE SHARPLY AS SOON AS ECONOMIC RECOVERY IS FELT.

3. IN SUMMARY, THE FORECAST FOR A 33.3 PERCENT TOTAL CHANGE OF IMPORTS FOR THE PERIOD 1974-80 SEEMS REALISTIC FOR LUXEMBOURG. THE FORECAST FOR AN AVERAGE ANNUAL GROWTH RATE OF 4.9 PERCENT SEEMS OVERLY OPTIMISTIC. A RATE CLOSER TO

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4 PERCENT IN REAL TERMS SEEMS MORE REASONABLE BARRING AN

UNLIKELY BOOM IN THE EUROPEAN STEEL INDUSTRY. THE
LUXEMBOURG ECONOMY IS INCREASINGLY VULNERABLE TO LOSS OF
PRICE COMPETITIVENESS OWING TO THE IMPACT OF WAGE-COST
INCREASES BEGUN IN 1973-74 AND PERPETUATED BY ITS SYSTEM
OF WAGE INDEXATION. PHILLIPS

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